

**UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF PUERTO RICO**

In re:
THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

THE COMMONWEALTH OF PUERTO RICO, *et al.*,

Debtors.¹

PROMESA
Title III

No. 17 BK 3283-LTS

(Jointly Administered)

**This filing relates to the
Commonwealth.**

**REPLY OF THE COMMONWEALTH OF PUERTO RICO TO RESPONSES FILED BY
(I) COOPERATIVA DE AHORRO Y CREDITO ORIENTAL AND (II) COOPERATIVA
DE AHORRO Y CREDITO DE YAUCO [ECF NOS. 13618 AND 13623] TO THE ONE
HUNDRED NINETY-NINTH OMNIBUS OBJECTION (SUBSTANTIVE) TO CLAIMS
ASSERTED BY BONDHOLDERS OF CERTAIN PRASA SENIOR LIEN BONDS**

To the Honorable United States District Judge Laura Taylor Swain:

The Commonwealth of Puerto Rico (the “Commonwealth”), by and through the Financial Oversight and Management Board for Puerto Rico (the “Oversight Board”), as the sole Title III representative of the Commonwealth pursuant to section 315(b) of the *Puerto Rico Oversight*,

¹ The Debtors in these Title III Cases, along with each Debtor’s respective Title III case number and the last four (4) digits of each Debtor’s federal tax identification number, as applicable, are the (i) Commonwealth of Puerto Rico (the “Commonwealth”) (Bankruptcy Case No. 17 BK 3283-LTS) (Last Four Digits of Federal Tax ID: 3481); (ii) Puerto Rico Sales Tax Financing Corporation (“COFINA”) (Bankruptcy Case No. 17 BK 3284-LTS) (Last Four Digits of Federal Tax ID: 8474); (iii) Puerto Rico Highways and Transportation Authority (“HTA”) (Bankruptcy Case No. 17 BK 3567-LTS) (Last Four Digits of Federal Tax ID: 3808); (iv) Employees Retirement System of the Government of the Commonwealth of Puerto Rico (“ERS”) (Bankruptcy Case No. 17 BK 3566-LTS) (Last Four Digits of Federal Tax ID: 9686); (v) Puerto Rico Electric Power Authority (“PREPA”) (Bankruptcy Case No. 17 BK 4780-LTS) (Last Four Digits of Federal Tax ID: 3747); and (vi) Puerto Rico Public Buildings Authority (“PBA”, and together with the Commonwealth, COFINA, HTA, ERS, and PREPA, the “Debtors”) (Bankruptcy Case No. 19-BK-5532-LTS) (Last Four Digits of Federal Tax ID: 3801) (Title III case numbers are listed as Bankruptcy Case numbers due to software limitations).

Management, and Economic Stability Act (“PROMESA”),² files this reply (the “Reply”) in support of the *One Hundred Ninety-Ninth Omnibus Objection (Substantive) of the Commonwealth of Puerto Rico to Claims Asserted by Holders of Certain PRASA Senior Lien Bonds* [ECF No. 13407] (the “One Hundred Ninety-Ninth Omnibus Objection”). In support of this Reply, the Commonwealth respectfully represents as follows:

1. On June 11, 2020 the Oversight Board filed the One Hundred Ninety-Ninth Omnibus Objection, seeking to disallow certain proofs of claim (collectively, the “Claims to be Disallowed”), each as listed on Exhibit A thereto, that seek recovery for amounts for which the Commonwealth is not liable because, *inter alia*, the Claims to Be Disallowed seek recovery for liabilities associated with Senior Lien Bonds³ issued by the Puerto Rico Aqueducts and Sewers Authority (“PRASA”), which is not a Title III debtor, and which liabilities are not guaranteed by the Commonwealth.

2. Any party who disputed the One Hundred Ninety-Ninth Omnibus Objection was required to file a response by 4:00 p.m. (Atlantic Standard Time) on July 14, 2020, in accordance with the Court-approved notice attached to the One Hundred Ninety-Ninth Omnibus Objection as Exhibit C, which was served in English and Spanish on the individual creditors subject to the One Hundred Ninety-Ninth Omnibus Objection, the U.S. Trustee, and the Master Service List (as defined in the *Twelfth Amended Case Management Procedures* [ECF No. 13383-1]). *See Certificate of Service* [ECF No. 13480].

² PROMESA is codified at 48 U.S.C. §§ 2101–2241.

³ Capitalized terms used but not defined herein shall bear the meanings ascribed to them in the One Hundred Ninety-Ninth Omnibus Objection.

3. Two responses to the One Hundred Ninety-Ninth Omnibus Objection remain pending:

- *Reply to the One Hundred and Ninety-Ninth Omnibus Objection (Substantive) of the Commonwealth of Puerto Rico to Claims Asserted by Holders of Certain PRASA Senior Lien Bonds* [ECF No. 13618] (the “Cooperativa Oriental Response”), filed by claimant Cooperativa de Ahorro y Credito Oriental (“Cooperativa Oriental”); and
- *Response to Debtor’s One Hundred and Ninety-Ninth Omnibus Objection (Substantive) of the Commonwealth of Puerto Rico to Claims Asserted by Holders of Certain PRASA Senior Lien Bonds* [ECF No. 13623] (the “Cooperativa de Yauco Response,” and together with the Cooperativa Oriental Response, the “Pending Responses”), filed by claimant Cooperativa de Ahorro y Credito Oriental (“Cooperativa de Yauco”).⁴

I. The Cooperativa Oriental Response

4. On May 30, 2018, Cooperativa Oriental filed four proofs of claim, which were logged by Prime Clerk, LLC as Proofs of Claim Nos. 30417, 30355, 30459, and 30509, (collectively, the “Cooperativa Oriental Claims”). Each of the Cooperativa Oriental Claims

⁴ In addition to the Pending Responses, two additional responses to the One Hundred Ninety-Ninth Omnibus Objection were filed. The first additional response, the *Reply to the One Hundred and Ninety-Ninth Omnibus Objection (Substantive) of the Commonwealth of Puerto Rico to Claims Asserted by Holders of Certain PRASA Senior Lien Bonds* [ECF No. 13621] (the “Cooperativa Aguas Buenas Response”), was filed on July 13, 2020 by Cooperativa de Ahorro y Credito Aguas Buenas (“Cooperative Aguas Buenas”). Three days later, on July 16, 2020, Cooperativa Aguas Buenas filed the *Motion to Withdraw the Reply to the One-Hundred Ninety-Ninth Omnibus Objection* [ECF No. 13687] (the “Motion to Withdraw”), which stated, among other things, claimants wished to withdraw the Cooperativa Aguas Buenas Response “pursuant to the stipulation entered on the Adv. Proc. 19-292-LTS (docket entry #36).” Cooperativa Aguas Buenas Response ¶ 2. The second additional response, the *Consented Motion for Brief Extension of Time to File Response to Objection to Claim Filed by Cooperativa de A/C Naguabena* [ECF No. 13631] (the “Cooperativa de Naguabena Extension Motion”), filed on July 14, 2020 by Cooperativa de Ahorro y Credito de Naguabena (“Cooperativa de Naguabena”), sought a seven-day extension of time to respond to the One Hundred Ninety-Ninth Omnibus Objection, to which the Debtors consented. However, to date, Cooperativa de Naguabena has not filed any response to the One Hundred Ninety-Ninth Omnibus Objection. Accordingly, both the Cooperativa Aguas Buenas Response and the Cooperativa de Naguabena Extension Motion have been resolved and are no longer pending before the Court.

asserted ownership of PRASA Revenue Bonds, Series 2012B (Senior Lien) (the “2012 Senior Series B Bonds”).

5. The Cooperativa Oriental Response states the Cooperativa Oriental Claims “seek[] recovery for amounts from which The Commonwealth of Puerto Rico is liable as guarantor of the liability owed by PRASA” [Response ¶ 3], and state the Response Claims are “enforceable against [the Commonwealth] under the Full Faith and Credit clause of the Constitution of the Commonwealth of Puerto Rico and/or The Constitution of the United States of American” [*id.* ¶ 4]. The Commonwealth is not liable, however, for the 2012 Senior Series B Bonds issued by PRASA, because PRASA is a separate, legally distinct entity from the Commonwealth, and the Commonwealth has not guaranteed repayment for the 2012 Senior Series B Bonds. Thus, the offering statement associated with the 2012 Senior Series B Bonds states as follows:

The Series B Bonds are not a debt of the Commonwealth of Puerto Rico or any of its municipalities or other political subdivisions, other than the Authority, and neither the Commonwealth of Puerto Rico nor any such municipalities or other political subdivisions, other than the Authority, shall be liable for the payment of the principal of or interest on said bonds.⁵

6. Accordingly, contrary to the assertions made in the Cooperativa Oriental Response, the Commonwealth has not guaranteed repayment of the 2012 Senior Series B Bonds, and the Commonwealth is therefore not liable for the liabilities asserted in the Cooperativa Oriental Claims. The Cooperativa Oriental Claims should therefore be disallowed in their entirety.

⁵ See Puerto Rico Aqueducts and Sewers Authority Offering Statement, 2012 Series B Revenue Bonds, available at <https://emma.msrb.org/Security/Details/A6068DC80A5505E614310EBAF23B170BD> (emphasis in original).

II. The Cooperativa de Yauco Response

7. On June 29, 2018, Cooperativa de Yauco filed six proofs of claim, which were logged by Prime Clerk as Proofs of Claim No. 127882, 140268, 155210, 155252, 155331, and 161704 (collectively, the “Cooperativa de Yauco Claims”). Each of the Cooperativa de Yauco Claims also assert ownership of 2012 Senior Series B Bonds.

8. The Cooperativa de Yauco Response, like the Cooperativa Oriental Response, states the Cooperativa de Yauco Claims “seek[] recovery for amounts from which The Commonwealth of Puerto Rico is liable as guarantor of the liability owed by PRASA” [Response ¶ 3], and state the Response Claims are “enforceable against [the Commonwealth] under the Full Faith and Credit clause of the Constitution of the Commonwealth of Puerto Rico and/or The Constitution of the United States of American” [*id.* ¶ 4].

9. As set forth above, however, the Commonwealth is not liable, for the 2012 Senior Series B Bonds issued by PRASA, because PRASA is a separate, legally distinct entity from the Commonwealth, and as set forth in the offering statement for the 2012 Senior Series B Bonds, the Commonwealth has not guaranteed repayment for those bonds. Accordingly, for the same reasons as set forth above, the Debtors respectfully request that the Court grant the One Hundred Ninety-Ninth Omnibus Objection and disallow the Cooperativa de Yauco Claims.

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Dated: January 4, 2021
San Juan, Puerto Rico

Respectfully submitted,

/s/ Hermann D. Bauer

Hermann D. Bauer

USDC No. 215205

Daniel J. Perez-Refojos

USDC No. 303909

Gabriel A. Miranda

USDC No. 306704

O'NEILL & BORGES LLC

250 Muñoz Rivera Ave., Suite 800

San Juan, PR 00918-1813

Tel: (787) 764-8181

Fax: (787) 753-8944

/s/ Martin J. Bienenstock

Martin J. Bienenstock (*pro hac vice*)

Brian S. Rosen (*pro hac vice*)

PROSKAUER ROSE LLP

Eleven Times Square

New York, NY 10036

Tel: (212) 969-3000

Fax: (212) 969-2900

*Attorneys for the Financial Oversight and
Management Board for Puerto Rico, as
representative for the Commonwealth of
Puerto Rico*